

106TH CONGRESS
2D SESSION

H. R. 5659

To amend title II of the Social Security Act provide for personal Social Security accounts and to maintain the solvency of the old-age, survivors, and disability insurance program.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 14, 2000

Mr. KASICH introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend title II of the Social Security Act provide for personal Social Security accounts and to maintain the solvency of the old-age, survivors, and disability insurance program.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Personal Social Secu-
5 rity Account Act of 2000”.

1 **TITLE I—PERSONAL SOCIAL**
 2 **SECURITY ACCOUNTS**

3 **SEC. 101. PERSONAL SOCIAL SECURITY ACCOUNTS.**

4 Title II of the Social Security Act is amended—

5 (1) by inserting before section 201 the fol-
 6 lowing:

7 “PART A—INSURANCE BENEFITS”;

8 and

9 (2) by adding at the end the following new part:

10 “PART B—PERSONAL SOCIAL SECURITY ACCOUNTS

11 “PERSONAL SOCIAL SECURITY ACCOUNT FUND

12 “SEC. 251. (a) ESTABLISHMENT.—There is estab-
 13 lished in the Treasury of the United States a Personal
 14 Social Security Account Fund. Subject to, and to the ex-
 15 tent consistent with, the provisions of this part, the Com-
 16 missioner of Social Security shall exercise the same pow-
 17 ers, duties, and responsibilities with respect to the Fund
 18 as the powers, duties and responsibilities exercised by the
 19 Executive Director with respect to the Thrift Savings
 20 Fund.

21 “(b) AMOUNTS HELD BY FUND.—The Personal So-
 22 cial Security Account Fund consists of the sum of all
 23 amounts transferred to the Fund under section 252, in-
 24 creased by the total net earnings from investments of
 25 sums held in the Fund or reduced by the total net losses

1 from investments of sums held in the Fund, and reduced
2 by the total amount of payments made from the Fund (in-
3 cluding payments for administrative expenses).

4 “(c) USE OF FUND.—

5 “(1) IN GENERAL.—The sums in the Personal
6 Social Security Account Fund are appropriated and
7 shall remain available without fiscal year
8 limitation—

9 “(A) to invest under section 253,

10 “(B) to make distributions under section
11 254,

12 “(C) to pay the administrative expenses of
13 this part, and

14 “(D) to purchase insurance as provided in
15 section 255(c)(2).

16 “(2) EXCLUSIVE PURPOSES.—The sums in the
17 Personal Social Security Account Fund shall not be
18 appropriated for any purpose other than the pur-
19 poses specified in this section and may not be used
20 for any other purpose.

21 “PERSONAL SOCIAL SECURITY ACCOUNTS

22 “SEC. 252. (a) ESTABLISHMENT OF PERSONAL SO-
23 CIAL SECURITY PLUS ACCOUNTS.—As soon as practicable
24 after the submission by an eligible individual of the re-
25 quest referred to in subsection (b)(3), the Commissioner
26 of Social Security shall establish in the Personal Social

1 Security Account Fund a personal social security account
2 for such eligible individual. Each account shall be identi-
3 fied to its account holder by means of the account holder's
4 social security account number.

5 “(b) ELIGIBLE INDIVIDUAL.—For purposes of this
6 part, the term ‘eligible individual’ means an individual
7 who—

8 “(1) was born after December 31, 1945,

9 “(2) has been credited for any calendar year
10 with 4 quarters of coverage, and

11 “(3) has submitted to the Commissioner of So-
12 cial Security a written request for the establishment
13 of a personal social security account for such indi-
14 vidual.

15 “(c) FORM OF WRITTEN REQUEST.—The request de-
16 scribed in subsection (b)(3) shall be made in such form
17 and manner as the Commissioner of Social Security may
18 prescribe by regulation in order to ensure ease of adminis-
19 tration.

20 “(d) ACCOUNT BALANCE.—The balance in an indi-
21 vidual's personal social security account at any time is the
22 excess of—

23 “(1) the sum of—

1 “(A) all deposits made to the Personal So-
 2 cial Security Account Fund and credited to the
 3 account under subsection (e), and

4 “(B) the total amount of allocations made
 5 to and reductions made in the account pursuant
 6 to subsection (f),

7 over

8 “(2) the amounts paid out of the account with
 9 respect to such individual under this part.

10 “(e) AMOUNTS TRANSFERRED FROM THE FEDERAL
 11 OLD-AGE AND SURVIVORS INSURANCE TRUST FUND.—

12 “(1) IN GENERAL.—Not later than 9 months
 13 after each calendar year after 2000, the Secretary of
 14 the Treasury shall transfer from the Federal Old-
 15 Age and Survivors Insurance Trust Fund to the
 16 Personal Social Security Account Fund, for crediting
 17 by the Commissioner of Social Security to each per-
 18 sonal social security account established in the Per-
 19 sonal Social Security Account Fund for such indi-
 20 vidual as of the end of such calendar year, an
 21 amount equal to the product derived by
 22 multiplying—

23 “(A) such individual’s wages paid, and
 24 self-employment income derived, in such cal-
 25 endar year, by

1 “(B) such individual’s transfer percentage
2 for such calendar year.

3 Proper adjustments shall be made in amounts trans-
4 ferred for subsequent calendar years to the extent
5 that amounts transferred for prior calendar years
6 were greater or less than the proper amounts.

7 “(2) TRANSFER PERCENTAGE.—For purposes
8 of paragraph (1)(B), the term ‘transfer percentage’
9 of an individual for a calendar year means the ex-
10 cess (not less than zero) of—

11 “(A) 3.5 percent, over

12 “(B) the product derived by multiplying
13 2.5 percent by a fraction—

14 “(i) the numerator of which is the
15 amount of such individual’s wages paid,
16 and self-employment income derived, in
17 such calendar year (as certified to the Sec-
18 retary of the Treasury by the Commis-
19 sioner of Social Security), and

20 “(ii) the denominator of which is the
21 contribution and benefit base (determined
22 under section 230) for such calendar year.

23 “(f) ALLOCATION OF EARNINGS AND LOSSES.—Pur-
24 suant to regulations which shall be prescribed by the Com-
25 missioner, the Commissioner shall allocate to each per-

sonal social security account an amount equal to the net earnings and net losses from each investment of sums in the Social Security Account Fund which are attributable, on a pro rata basis, to sums credited to such account, reduced by an appropriate share of the administrative expenses paid out of the net earnings, as determined by the Commissioner.

“RULES GOVERNING PERSONAL SOCIAL SECURITY ACCOUNTS RELATING TO INVESTMENT, ACCOUNTING, REPORTING, AND TAXATION

“SEC. 253. (a) IN GENERAL.—Under regulations which shall be prescribed by the Commissioner of Social Security, and subject to the provisions of this part, the provisions of—

“(1) section 8438 of title 5, United States Code (relating to investment of the Thrift Savings Fund),

“(2) section 8439(b) of such title (relating to engagement of independent qualified public accountant),

“(3) section 8439(c) of such title (relating to periodic statements and summary descriptions of investment options),

“(4) section 8439(d) of such title (relating to assumption of risk), and

1 “(5) section 8440 of such title (relating to tax
2 treatment of the Thrift Savings Fund), other than
3 subsection (c) thereof,
4 shall apply with respect to the Personal Social Security
5 Fund and accounts maintained in such Fund in the same
6 manner and to the same extent as such provisions relate
7 to the Thrift Savings Fund and personal social security
8 accounts maintained in such Fund.

9 “(b) RELATED RULES.—For purposes of subsection
10 (a)—

11 “(1) the Board of Trustees shall exercise with
12 respect to the Personal Social Security Fund the
13 same powers, duties, and responsibilities as are re-
14 quired to be exercised by the Federal Retirement
15 Thrift Investment Board under the provisions re-
16 ferred to in subsection (a) with respect to the Thrift
17 Savings Fund,

18 “(2) the Commissioner of Social Security shall
19 exercise with respect to the Personal Social Security
20 Fund the same powers, duties, and responsibilities
21 as are required to be exercised by the Executive Di-
22 rector under the provisions referred to in subsection
23 (a) with respect to the Thrift Savings Fund, and

24 “(3) references in such sections 8438 and 8439
25 to an employee, Member, former employee, or former

1 Member shall be deemed references to an account
2 holder of a social security account in the Personal
3 Social Security Fund.

4 “DISTRIBUTIONS FROM PERSONAL SOCIAL SECURITY
5 ACCOUNTS

6 “SEC. 254. (a) IN GENERAL.—Except as provided in
7 subsections (b) and (c), the balance in a personal social
8 security account—

9 “(1) shall be distributed to the account holder
10 commencing with the date of the commencement of
11 such account holder’s entitlement to old-age insur-
12 ance benefits under section 202(a), and

13 “(2) shall be paid, as elected by the account
14 holder (in such form and manner as shall be pre-
15 scribed in regulations of the Commissioner of Social
16 Security) in the form of—

17 “(A) equal annual installments over the
18 life expectancy of the account holder (deter-
19 mined as of the date of the distribution under
20 reasonable actuarial assumptions), or

21 “(B) otherwise in the form of an imme-
22 diate annuity (as shall be prescribed in regula-
23 tions of the Commissioner of Social Security).

24 “(b) DISABILITY BENEFICIARIES.—Upon application
25 made to the Commissioner under this subsection (in such
26 form and manner as shall be prescribed by the Commis-

1 sioner) by an individual who is entitled to disability insur-
2 ance benefits under section 223, the balance in such indi-
3 vidual's personal social security account shall be paid to
4 such individual in the form of equal monthly installments
5 over the life expectancy of the individual (determined as
6 of the date of the commencement of such payments under
7 reasonable actuarial assumptions), except that such pay-
8 ments shall be payable under this subsection only for
9 months for which such individual is entitled to such bene-
10 fits.

11 “(c) LUMP SUM DISTRIBUTIONS OF MINIMAL
12 AMOUNTS.—

13 “(1) IN GENERAL.—Notwithstanding sub-
14 sections (a) and (b), if distributions from an individ-
15 ual's personal social security account would other-
16 wise commence under subsection (a) or (b), and the
17 balance in the account is \$3,500 or less, the Com-
18 missioner of Social Security shall pay the balance to
19 the account holder in a single payment.

20 “(2) COST-OF-LIVING ADJUSTMENTS.—Under
21 regulations of the Commissioner of Social Security,
22 effective January 1 of each calendar year after
23 2000, the dollar amount referred to in paragraph
24 (1) shall be adjusted annually by the same percent-

1 age change as the percentage change then taking ef-
2 fect under section 230.

3 “FIDUCIARY RESPONSIBILITIES

4 “SEC 255. (a) IN GENERAL.—Under regulations of
5 the Secretary of Labor, the provisions of sections 8477
6 and 8478 of title 5, United States Code, shall apply in
7 connection with the Personal Social Security Fund and the
8 personal social security accounts maintained in such Fund
9 in the same manner and to the same extent as such provi-
10 sions apply in connection with the Thrift Savings Fund
11 and accounts maintained in the Thrift Savings Fund.

12 “(b) INVESTIGATIVE AUTHORITY.—Any authority
13 available to the Secretary of Labor under section 504 of
14 the Employee Retirement Income Security Act of 1974 is
15 hereby made available to the Secretary of Labor, and any
16 officer designated by the Secretary of Labor, to determine
17 whether any person has violated, or is about to violate,
18 any provision applicable under subsection (a).

19 “(c) EXCULPATORY PROVISIONS; INSURANCE.—

20 “(1) IN GENERAL.—Any provision in an agree-
21 ment or instrument which purports to relieve a fidu-
22 ciary from responsibility or liability for any responsi-
23 bility, obligation, or duty under this part shall be
24 void.

25 “(2) INSURANCE.—Amounts in the Personal
26 Social Security Fund available for administrative ex-

1 penses shall be available and may be used at the dis-
2 cretion of the Commissioner of Social Security to
3 purchase insurance to cover potential liability of per-
4 sons who serve in a fiduciary capacity with respect
5 to the Fund and personal social security accounts
6 maintained therein, without regard to whether a pol-
7 icy of insurance permits recourse by the insurer
8 against the fiduciary in the case of a breach of a fi-
9 duciary obligation.

10 “ASSIGNMENT, ALIENATION, AND TREATMENT OF
11 DECEASED INDIVIDUALS

12 “SEC. 256. (a) ASSIGNMENT AND ALIENATION.—
13 Under regulations which shall be prescribed by the Com-
14 missioner of Social Security, rules relating to assignment
15 and alienation applicable under chapter 84 of title 5,
16 United States Code, with respect to amounts held in ac-
17 counts in the Thrift Savings Fund shall apply with respect
18 to amounts held in personal social security accounts in the
19 Personal Social Security Fund.

20 “(b) TREATMENT OF ACCOUNTS OF DECEASED INDIV-
21 VIDUALS.—In the case of a deceased individual who is the
22 account holder with respect to a personal social security
23 account and who dies before distributions from the ac-
24 count have commenced under section 254, upon receipt
25 of notification of such individual’s death, the Commis-
26 sioner of Social Security shall close the account and shall

1 transfer the balance in such account to the personal social
 2 security account of such account holder’s surviving spouse
 3 or, if there is no such account of a surviving spouse, to
 4 the duly appointed legal representative of the estate of the
 5 deceased account holder, or if there is no such representa-
 6 tive, to the person or persons determined to be entitled
 7 thereto under the laws of the domicile of the deceased ac-
 8 count holder.”.

9 **TITLE II—MAINTAINING THE**
 10 **SOLVENCY OF THE OLD-AGE,**
 11 **SURVIVORS, AND DISABILITY**
 12 **INSURANCE PROGRAM**

13 **SEC. 201. MODIFICATION OF INDEXATION OF INITIAL BENE-**
 14 **FITS.**

15 Section 215(a)(1)(B) of the Social Security Act (42
 16 U.S.C. 415(a)(1)(B)) is amended—

17 (1) by redesignating clause (iii) as clause (vi);

18 (2) in clause (ii), by striking “For individuals”
 19 and inserting “Subject to clause (iii), for individ-
 20 uals”;

21 (3) by inserting after clause (ii) the following
 22 new clauses:

23 “(iii) For individuals who were born after December
 24 31, 1945, and who either initially meet all requirements
 25 for entitlement to old-age insurance benefits or disability

1 insurance benefits (other than applying therefor), or die
 2 (before meeting such requirements for such benefits), in
 3 any calendar year after 2002, each of the amounts so es-
 4 tablished under the preceding provisions of this subpara-
 5 graph shall be equal to the product derived by multiplying
 6 such amount (as determined before the application of this
 7 clause) by the quotient derived by dividing—

8 “(I) the applicable change in the CPI for the
 9 first of the 2 preceding calendar years, by

10 “(II) applicable change in the national average
 11 wage index for the first of the 2 preceding calendar
 12 years.

13 “(iv) For purposes of clause (iii)(I), the term ‘appli-
 14 cable change in the CPI’ for a calendar year means the
 15 excess of—

16 “(I) the arithmetical mean of the Consumer
 17 Price Index for Urban Wage Earners and Clerical
 18 Workers (issued by the Bureau of Labor Statistics)
 19 for the 12 months in such calendar year, over

20 “(II) the arithmetical mean of such Consumer
 21 Price Index for the 12 months in calendar year
 22 2000.

23 “(v) For purposes of clause (iii)(II), the term ‘appli-
 24 cable change in the national average wage index’ for a cal-
 25 endar year means the excess of—

1 “(I) the national average wage index (as de-
 2 fined in section 209(k)(1)) for such calendar year,
 3 over

4 “(II) the national average wage index (as so de-
 5 fined) for calendar year 2000.”; and

6 (4) in clause (vi) (as redesignated), by striking
 7 “under clause (ii)” and inserting “under the pre-
 8 ceding provisions of this subparagraph”.

9 **SEC. 202. BENEFIT REDUCTION BY REASON OF TRANSFER**
 10 **TO PERSONAL SOCIAL SECURITY ACCOUNT.**

11 Subparagraph (A) of section 215(a)(1) of the Social
 12 Security Act (42 U.S.C. 415(a)(1)(A)) is amended, in the
 13 matter following clause (iii), by striking “rounded” and
 14 inserting the following:

15 “reduced by a percentage equal to the product derived by
 16 multiplying $\frac{1}{36}$ percent by the number of months begin-
 17 ning with or after the first month in which occurs a trans-
 18 fer to the individual’s personal social security account pur-
 19 suant to section 252(e)(1) and ending before the first
 20 month for which such individual is entitled to old-age or
 21 disability insurance benefits (or in which such individual
 22 dies before becoming so entitled). The amount determined
 23 under this subparagraph shall be rounded”.

1 **SEC. 203. BORROWING AUTHORITY FOR THE SOCIAL SECU-**
2 **RITY TRUST FUNDS TAKING INTO ACCOUNT**
3 **PRESENT VALUE OF FUTURE BENEFIT RE-**
4 **DUCTIONS.**

5 Section 201(l) of the Social Security Act (42 U.S.C.
6 401(l)) is amended—

7 (1) in paragraph (1), by striking “January
8 1988” and inserting “January 2050”, and by strik-
9 ing “the other such Trust Fund, or, subject to para-
10 graph (5), from the Federal Hospital Insurance
11 Trust Fund established under section 1817,” and in-
12 serting “the general fund of the Treasury, subject to
13 paragraph (5),”;

14 (2) in paragraph (2), by striking “the lending
15 Trust Fund” and inserting “the general fund”, and
16 by striking “a rate” and all that follows and insert-
17 ing “the rate equal to the average market yield
18 (computed by the Managing Trustee on the basis of
19 market quotations as of the end of the calendar
20 month next preceding the date of the loan) on all
21 marketable interest-bearing obligations of the United
22 States then forming a part of the public debt which
23 are not due or callable until after the expiration of
24 four years from the end of such calendar month; ex-
25 cept that where such average market yield is not a
26 multiple of one-eighth of 1 per centum, the rate of

1 interest of such loan shall be the multiple of one-
2 eighth of 1 per centum nearest such market yield.”;

3 (3) in paragraph (3)(B)(i), in the matter pre-
4 ceding subclause (I), by striking “Federal Hospital
5 Insurance Trust Fund” each place it appears and
6 inserting “general fund”, and by striking “15 per-
7 cent” and inserting “100 percent”;

8 (4) in paragraph (3)(B)(i)(I), by striking “to-
9 gether with” and all that follows through “year,”,
10 and by striking “15 percent” and inserting “100
11 percent”;

12 (5) in paragraph (3)(B)(iii)(II), by striking
13 “other than payments of interest on, and repay-
14 ments of loans from the Federal Hospital Insurance
15 Trust Fund under paragraph (1),”;

16 (6) in paragraph (3)(C)(i), by striking “(i)”, by
17 striking “(whether made before or after January 1,
18 1983)”, and by striking “and in any event no later
19 than December 31, 1989”;

20 (7) by striking paragraph (3)(C)(ii); and

21 (8) by amending paragraph (5) to read as fol-
22 lows:

23 “(5) The amounts borrowed from the general fund
24 of the Treasury under paragraph (1) shall not exceed the
25 discounted present value of the future reductions in bene-

1 fits payable from such trust funds by reason of the amend-
2 ments made by section 202 of the Personal Social Security
3 Account Act of 2000.”.

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